

**WALNUT CREEK EXTENSION DISTRICT NO. 2**

Financial Statements With Independent Auditors' Report

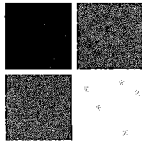
For the Year Ended December 31, 2011

**WALNUT CREEK EXTENSION DISTRICT NO. 2**  
Financial Statements With Independent Auditors' Report  
For the Year Ended December 31, 2011

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Certified  
Public  
Accountants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**Walnut Creek Extension District No. 2**  
Dighton, Kansas

We have audited the accompanying financial statements of **Walnut Creek Extension District No. 2**, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of **Walnut Creek Extension District No. 2's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, **Walnut Creek Extension District No. 2** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, whose practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **Walnut Creek Extension District No. 2** as of December 31, 2011, or changes in its financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of **Walnut Creek Extension District No. 2** as of December 31, 2011, and their respective cash receipts and disbursements and budgetary results for the year then ended, on the basis of accounting described in Note 1.

*Adams, Brown, Beran & Ball*

ADAMS, BROWN, BERAN & BALL, CHTD.  
Certified Public Accountants

October 29, 2012

**WALNUT CREEK EXTENSION DISTRICT NO. 2**  
 Summary of Cash Receipts, Expenditures, and Unencumbered Cash  
 For the Year Ended December 31, 2011

Fund		Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
<b>Governmental Fund Category</b>								
General Fund		\$ 215,412	-	429,836	431,634	213,614	-	213,614
<b>Composition of Cash</b>						Checking Accounts	\$	140,101
						Money Market Account		63,513
						Certificate of Deposit		10,000
						<b>Total Reporting Entity</b>	\$	<b>213,614</b>

The notes to the financial statements are an integral part of this statement.

**WALNUT CREEK EXTENSION DISTRICT NO. 2**  
 Summary of Expenditures - Actual and Budget  
 For the Year Ended December 31, 2011

		Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Fund						
<b>Governmental Fund Category</b>						
General Fund		\$ 546,300	-	546,300	431,634	(114,666)

The notes to the financial statements are an integral part of this statement.

## WALNUT CREEK EXTENSION DISTRICT NO. 2

## General Fund

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes	\$ 292,158	319,994	321,817	(1,823)
Postage Reimbursement	14,539	9,790	11,000	(1,210)
KSU Research and Extension	89,298	99,099	113,256	(14,157)
Interest Income	1,178	953	-	953
<b>Total Cash Receipts</b>	397,173	429,836	446,073	(16,237)
<b>Expenditures</b>				
Salaries and Wages	89,121	89,975	95,000	(5,025)
KSU Extension Salary Reimbursement	151,353	169,924	200,000	(30,076)
Employee Benefits	52,326	55,143	67,000	(11,857)
Printing, Audit, and Insurance	14,795	8,813	12,000	(3,187)
Telephone	6,914	6,810	9,000	(2,190)
Rent, Heat and Lights	8,923	9,265	16,000	(6,735)
Supplies, Stationary and Postage	14,782	14,235	22,000	(7,765)
Equipment	8,514	12,158	20,000	(7,842)
Educational Services	3,789	4,996	8,000	(3,004)
Subsistence	7,123	8,666	6,000	2,666
Travel	14,687	19,432	20,000	(568)
Miscellaneous	7,783	7,957	-	7,957
Capital Outlay	18,450	24,260	71,300	(47,040)
<b>Total Expenditures</b>	398,560	431,634	546,300	(114,666)
<b>Cash Receipts Over (Under) Expenditures</b>	(1,387)	(1,798)		
<b>Unencumbered Cash - Beginning</b>	216,799	215,412		
<b>Unencumbered Cash - Ending</b>	\$ 215,412	213,614		

The notes to the financial statements are an integral part of this statement.

## **WALNUT CREEK EXTENSION DISTRICT NO. 2**

Notes to Financial Statements

December 31, 2011

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Walnut Creek Extension District No. 2** has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

#### **Reporting Entity**

The District is a municipal corporation governed by an elected board. These financial statements of the District consist of all the funds of the District that are considered to be controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. The District has no component units.

#### **Use of Estimates**

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

#### **Basis of Presentation – Fund Accounting**

The accounts of the District are organized and operated on the basis of funds. In governmental accounting, a fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following fund category comprises the financial activities of the District for the year ended December 31, 2011.

#### **Governmental Fund Category**

**General Fund** - to account for all financial resources except those required to be reported in another fund.

#### **Statutory Basis of Accounting**

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to use the statutory basis of accounting.

**WALNUT CREEK EXTENSION DISTRICT NO. 2**  
Notes to Financial Statements  
December 31, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Departure From Accounting Principles Generally Accepted in the United States of America**

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the District are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

**Budgetary Information**

Kansas statutes require that an annual operating budget be legally adopted for the general fund. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding fiscal year on or before August 1<sup>st</sup>.
2. Publication in local newspaper of the proposed budget notice of public hearing on the budget on or before August 5<sup>th</sup>.
3. Public hearing on or before August 15<sup>th</sup>, but at least 10 days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25<sup>th</sup>.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such amendments this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unused budget expenditure authority lapses at year-end.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.



**WALNUT CREEK EXTENSION DISTRICT NO. 2**  
Notes to Financial Statements  
December 31, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Deposits and Investments**

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk**

State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The District does not use peak periods. All deposits were legally secured at December 31, 2011.

At December 31, 2011, the District's carrying amount of deposits was \$213,614 and the bank balance was \$234,302. The bank balance was held by three banks resulting in a concentration of credit risk. The entire bank balance was covered by federal depository insurance.

**Custodial Credit Risk – Investments**

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The District had no investments at December 31, 2011.

**Compensated Absences**

The District has a formal sick leave and vacation policy for employees, which varies based on the employee's position and length of employment.

Vacation is earned by all full-time employees from the date of their employment. Full-time employees earn vacation as follows:

<u>Employment Period</u>	<u>Annual Leave</u>
Less than 5 years	12 days
5 – 10 years	15 days
10 or more years	18 days

**WALNUT CREEK EXTENSION DISTRICT NO. 2**  
Notes to Financial Statements  
December 31, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Up to 12 days of vacation may be carried over from year to year. Unused vacation is paid upon resignation, termination or retirement of an employee. As of December 31, 2011, the maximum potential liability for accrued vacation was \$2,386.

Full-time employees earn one day per month of sick leave. Sick leave may be accrued up to 30 days. Unused sick leave is paid only upon retirement of an employee. As of December 31, 2011, the maximum potential liability for accrued sick leave was \$4,760.

**Deferred Compensation Plan**

The District sponsors a deferred compensation plan under Internal Revenue Code Section 403(b). Permanent and part-time employees are eligible to participate under the plan. The employee is responsible for the amount of deferred compensation to be contributed. The District is not responsible to make any contributions.

**Defined Benefit Pension Plan**

**Plan Description**

The District contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

**Funding Policy**

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% and 6% (for employees hired on or after July 1, 2009) of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for calendar year 2011 was 7.74%. The District's employer contributions to KPERS for the years ending December 31, 2011, 2010, and 2009 were \$6,918, \$6,224, and \$4,729, respectively, equal to the required contributions for each year as set forth by the legislature.

**Other Post Employment Benefits**

As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the District for this coverage. The premium is paid in full by the insured. There is no cost to the District under this program.

**Property Tax Calendar**

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1<sup>st</sup> are due one-half by December 20<sup>th</sup> and one-half by May 10<sup>th</sup>. Major tax

## **WALNUT CREEK EXTENSION DISTRICT NO. 2**

Notes to Financial Statements

December 31, 2011

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

### **NOTE 2 – LITIGATION**

**Walnut Creek Extension District No. 2** is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the funds of the District.

### **NOTE 3 – RISK MANAGEMENT**

**Walnut Creek Extension District No. 2** carries commercial insurance for risks of loss, including property, general liability, inland marine, automobile, crime, workers compensation, and linebacker. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **NOTE 4 – COMPARATIVE DATA**

Comparative data for the prior year has been presented in Statement 3 of the accompanying financial statements in order to provide an understanding of changes in **Walnut Creek Extension District No. 2's** cash and unencumbered cash balances. However, complete comparative data (i.e., presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.